

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Policy and Resources
Date:	19 January 2021
Title:	2021/22 Revenue Budget Report for Corporate Services
Report From:	Chief Executive, Deputy Chief Executive and Director of Corporate Resources, Assistant Chief Executive and Director of Transformation and Governance

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Section A: Purpose of this Report

1. The purpose of this report is to set out proposals for the 2021/22 budget for Corporate Services in accordance with the Council's Medium Term Financial Strategy (MTFS) approved by the County Council in November 2019 and updated subsequently in July 2020 to reflect the financial impact of the Covid-19 crisis and the County Council's response.

Section B: Recommendations

2. To approve for submission to the Leader and the Cabinet:
3. The revised revenue budget for 2020/21 as set out in Appendix 1.
4. The proposed revenue budget for 2021/22 as set out in Appendix 1

Section C: Executive Summary

5. The Medium Term Financial Strategy (MTFS) update presented to Cabinet and County Council in July 2020 sought to assess the medium term impact of Covid-19 on the financial sustainability of the County Council. It explained that we were treating the medium term impact of Covid-19 as a one off problem that we aimed to address through a financial response package of Council resources and further government support and concluded that further government funding of £52.4m was required to ensure that the Council was financially sustainable in the medium term.
6. An update was presented to Cabinet in November and County Council in December which reaffirmed that a minimum level of government support of at

least £50m was still required to help balance the deficit after the application of the financial response package.

7. The aim of the approach to Covid-19 was to place the County Council in the same financial position it would have otherwise been in if Covid-19 had not happened in order to ensure that the tried and tested financial strategy which the County Council operates could be protected and retained.
8. This strategy works on the basis of a two year cycle of delivering departmental savings targets to close the anticipated budget gap. This provides the time and capacity to properly deliver major savings programmes every two years, with deficits in the intervening years being met from the Budget Bridging Reserve (BBR) and with any early delivery of resources retained by departments to use for cost of change purposes or to cash flow delivery and offset service pressures. The model has served the authority well.
9. In line with this strategy, the Transformation to 2021 (Tt2021) Programme has been in place for some time to develop the £80m of savings required to balance the budget for 2021/22. Detailed savings proposals for each department were approved by the County Council in November 2019, in order to allow more time for delivery of the savings; including the requirement to undertake a second stage of service specific consultations where necessary.
10. Since the transformation programme is already in place to deliver approved departmental savings, there are no new savings proposals to be considered as part of the 2021/22 budget setting process. The anticipated delay to delivery of some aspects of the transformation programmes has been factored into our financial planning and sufficient one-off funding exists both corporately and within departments to meet any potential gap over the period.
11. The report also provides an update on the business as usual financial position for the current year and the outturn forecast for the Department for 2020/21, excluding the financial impact of Covid-19, is a budget under spend of £3.08m.
12. The proposed budget for 2021/22 analysed by service is shown in Appendix 1.
13. This report seeks approval for submission to the Leader and Cabinet of the revised budget for 2020/21 and detailed service budgets for 2021/22 for Corporate Services. The report has been prepared in consultation with the Executive Member and will be reviewed by the Policy and Resources Select Committee. It will be reported to the Leader and Cabinet on 9 February 2021 to make final recommendations to County Council on 25 February 2021.

Section D: Contextual Information

14. The Medium Term Financial Strategy (MTFS) update presented to Cabinet and County Council in July explained that we were treating the medium term impact of Covid-19 as a one off problem that we aimed to address through a financial response package of Council resources and further government support.

15. The report concluded that further government funding of £52.4m was required to ensure that the Council was financially sustainable in the medium term and an update, presented to Cabinet in November and County Council in December, reaffirmed that a minimum level of government support of at least £50m was still required to help balance the deficit after the application of the financial response package.
16. The aim of the approach to Covid-19 was to place the County Council in the same financial position it would have otherwise been in if Covid-19 had not happened in order to ensure that it still had sufficient fire power in its reserves to address the business as usual deficits of at least £40m per annum predicted after the current Transformation to 2021 (Tt2021) Programme has been implemented and in line with the strategy being adopted to manage the financial impact of Covid-19 as a separate one off issue.
17. The current financial strategy which the County Council operates, works on the basis of a two year cycle of delivering change to release resources and close the anticipated budget gap. This provides the time and capacity to properly deliver major transformation programmes every two years, with deficits in the intervening years being met from the Budget Bridging Reserve (BBR) and with any early delivery of resources retained by departments to use for cost of change purposes or to cash flow delivery and offset service pressures. The model has served the authority well.
18. The County Council's action in tackling its forecast budget deficit and providing funding in anticipation of further reductions, placed it in a very strong position to produce a 'steady state' budget for 2020/21, giving itself the time and capacity to develop and implement the Tt2021 Programme to deliver the next phase of savings totalling £80m. This also avoids the worst effects of sudden and unplanned decisions on service delivery and the most vulnerable members of the community.
19. Consequently, the majority of the decisions in respect of major changes to the budget were taken early however, other factors will still affect the budget, such as council tax decisions and inflation.
20. Members will be aware that following previous delays in the Comprehensive Spending Review (CSR) it was hoped that a three year CSR would be announced in November 2020. Following increasing rates of Covid-19 throughout October and the uncertainty over the long term economic impacts of Covid-19 the Chancellor announced that only a single year Spending Review would be put in place.
21. The Spending Review announcement took place on 25 November 2020 and the key elements were as follows:
 - For salaries set by the Government (such as teachers and police) there will be a public sector pay freeze in 2021/22. The exceptions are for those earning less than £24,000 (who will receive a minimum £250 increase) and the NHS. The Government does not set pay for

most council staff, although it is likely to set grant levels at amounts which assume a pay freeze.

- Councils with social care responsibilities will be allowed to increase council tax by up to 5% in 2021/22 without holding a referendum. This consists of 2% for main council tax and 3% for the adult social care precept.
 - The business rates multiplier will be frozen in 2021/22 (with local authorities fully compensated for the lost income). Further Covid-19 business rates reliefs may be announced in the new year.
 - The Government expects to provide local authorities with over £3bn more to help with Covid-19 pressures in 2021/22. It comprises:
 - £1.55bn to help with expenditure pressures.
 - £670m additional funding for council tax support schemes (which reduce council tax bills for households on low incomes).
 - £762m (estimate) to compensate local authorities for 75% of council tax and business rates losses resulting from 2020/21.
 - Extending the Covid-19 sales, fees and charges reimbursement scheme for three months until the end of June 2021.
 - An additional £300m for adults' and children's social care (£1.2m for Hampshire) and continuation of the existing £1bn annual grant put into social care previously will be maintained, along with £2.1bn provided through the improved Better Care Fund (pooled with the NHS). Proposals for reforming adults' social care will be brought forward next year.
 - The New Homes Bonus scheme will continue for a further year, with no new legacy payments. Reforms to the New Homes Bonus will be consulted on shortly, with a view to implementing changes in 2022/23.
 - The Chancellor also announced how the Government would deliver the next stages of its infrastructure investment plans to drive the UK's recovery with £100bn of capital spending next year and a £4bn Levelling Up Fund.
22. The provisional Local Government Finance Settlement had not been announced at the time of writing this report but is anticipated during week commencing 14 December 2020. This will provide more clarity as to the impact of the Spending Review on Hampshire County Council and details will be provided in a separate briefing to members and within the Policy and Resources Select Committee Briefing presentation in January 2021.
23. The final grant settlement for 2021/22 is not due out until January / February 2021 and should there be any changes to the figures that are released in December 2020 these will be reflected in the final budget setting report to County Council.

24. Corporate Services has been developing its service plans and budgets for 2021/22 and future years in keeping with the County Council's priorities and the key issues, challenges and priorities for the Department are set out below

Section E: Departmental Challenges and Priorities

Corporate Resources

25. Corporate Resources includes the following services:
- Finance and Pensions;
 - Human Resources (HR) and Workforce Development (WFD);
 - Integrated Business Centre (IBC) - providing transactional services such as payroll, payments to suppliers, and resourcing services including General Enquiries – providing General Enquiry telephone, web and email contact services on behalf of the County Council, Departmental contact is now embedded in each department;
 - Information Technology;
 - Internal Audit.
26. The forecast outturn for 2020/21 for Corporate Resources confirms the successful delivery of its Tt2021 Programme and the achievement of on-going savings of £3.817m from April 2021. This puts the Department in a strong position for next financial year to deliver good quality services to other departments within the County Council and to the many partner organisations who receive services from the County Council's Corporate Resources Department. In addition, Corporate Resources teams will begin identifying opportunities for their savings programme for 2023 and continue to provide critical support to other departments during the delivery of their own transformation programmes. It will be important for the Department to manage this further pressure to service delivery.
27. The early focus and completion of its Tt2021 transformation programme has also enabled Corporate Resources to fully support the County Council and its partner organisations in their continuing responses to and recovery from the Covid-19 pandemic. IT and connectivity have never been more critical. Credit is due to IT colleagues who have been focussed on significantly speeding up the roll out of new technologies and IT hardware which are now supporting our new ways of working, particularly Teams and external calling. Without this move the organisation would not be in such a strong position, particularly regarding working from home.
28. Whilst our people are now getting used to 'new ways of working' and the broader situation in which we all find ourselves there continues to be a wider range of 'people' issues surfacing and requiring attention. As part of our recovery work, we have established a 'People and Organisational Health and Effectiveness' workstream which is led by the Assistant Director for HR and WFD. The overall aim of the workstream is to both understand the issues

being faced by our Departments, in order to ensure HR and WFD support is available as necessary and appropriate, and to identify common issues across the organisation to support organisational learning and the sharing of good practice.

29. In other areas of Corporate Resources, staff have adapted well and where appropriate, reviewed approaches and priorities to ensure continued delivery of services to the County Council, its partner organisations, suppliers and customers. Despite the ongoing impact for our staff it remains true that our staff are demonstrating the best of themselves in these difficult times.

Transformation and Governance

30. Transformation and Governance comprises:

- Legal Services
- Governance, including Emergency Planning, Corporate risk management and health and safety
- Strategic Procurement
- Transformation Practice

31. Significant progress has been made across all service areas towards the Tt2021 target of £630,000. The savings programme includes a range of measures including digital transformation, operating model changes and income generation. During 2020/21, the requirement to direct staff resource to support Covid-19 response and recovery has impacted the ability to fully develop the income streams planned within Law and Governance. Consequently, an extended timeline is needed for these and the interim financial pressure can be covered by drawing on the surplus income generated in previous years that was set aside.

32. Supporting the Covid-19 response and recovery activity within the County Council and also through the Local Resilience Forum (LRF) has been a significant focus for the Department. This has included:

- Rapid implementation and on-going support of the Gold Command emergency planning approach to manage the response and recovery activity.
- Timely and effective changes to governance arrangements and successful implementation of virtual committee meetings.
- Procurement support for the County Council and on behalf of the LRF particularly in obtaining prompt and sufficient supplies of personal protective equipment and onward supply to third party service providers and other agencies.

Customer Engagement Service

33. The Customer Engagement Service comprises Marketing and Advertising, Corporate Communications and Insight and Engagement (including public consultation and engagement, behaviour change research, corporate performance, and a range of strategic partnerships and policy agendas - such as the Armed Forces, the Voluntary Sector, community safety and equalities). These support services sit alongside the Chief Executive's and Leader's offices and together provide a range of core support functions to departments and Councillors, as well as several external public facing services.
34. The Department has achieved its Tt2021 savings target of £121,000 having adjusted the staffing structure and other reductions in non-pay expenditure. Attention is now turning to the savings programme for 2023.
35. Since the beginning of the coronavirus pandemic, the department's focus has been to prioritise effective communications and engagement which is targeted across external and internal audiences to ensure the delivery of proactive, planned, and consistent information. This is in support of the County Council's Local Outbreak Strategy, government guidance and shared priorities with partners - together seeking and securing the best outcomes for Hampshire residents in these on-going challenging times.

Other Corporate Budgets

36. The Corporate Services budget also includes provision for Members Support costs and a range of grants to the voluntary and community sectors. This includes Members' devolved budgets at £5,000 per Member. This is in line with the reduced value agreed in 2017/18 in line with the approved Transformation to 2017 (Tt2017) Programme savings. However, given the importance of the grants and the wider services that they support across many communities, it was subsequently agreed that they be retained at the £8,000 level until the end of 2020/21, to coincide with the May 2021 elections, by drawing from reserves.

Section F: 2020/21 Revenue Budget

37. Enhanced financial resilience reporting, which looks not only at the regular financial reporting but also at potential pressures in the system and the achievement of savings being delivered through transformation, has continued through periodic reports to the Corporate Management Team (CMT) and to Cabinet.
38. The anticipated business as usual outturn forecast for 2020/21 is a budget saving of £3.08m. The majority of this saving relates to early achievement of Tt2021 savings. This saving will be transferred to the Cost of Change Reserve at year end and may be used to fund investment required to secure future savings. This position does not include the in-year pressures relating to Covid-19 response and recovery. These continue to be monitored and are included in the financial update reports to Cabinet.

39. The budget for Corporate Services has been updated throughout the year and the revised budget is shown in Appendix 1. The revised budget shows an increase of £4.54m made up of:
- 2020/21 pay award + £2.03m.
 - Temporary increase to members' grants + £0.35m.
 - Approved reserve funding for the leadership management development programme + £0.32m.
 - Approved reserve funding for the Transformation Practice + £0.64m.
 - Corporate contribution to support HC3S trading units +£0.93m.
 - Corporate contribution to support Local Resilience Forum (LRF) + £0.92m.
 - Transfer to other departments to reflect the changed operating model for customer contact (formerly Hantsdirect) - £0.7m.
 - Other changes + £0.05m.

Section G: Revenue Savings Proposals

40. Savings targets for 2021/22 were approved as part of the MTFs by the County Council in September 2018. Proposals to meet these targets have been developed through the Tt2021 Programme and were approved by Executive Members, Cabinet and County Council in October and November 2019.
41. For Corporate Services, the target was £4.568m. It is now anticipated that full year savings of £4.33m will be achieved in 2021/22 with the shortfall against the target being made up from the cost of change reserve until the full savings are achieved.
42. The shortfall relates to a delay in income generation for law and governance services. This results from the requirement to re-direct staff resource to support the Covid-19 response and recovery and has impacted the ability to fully develop the income streams planned. Revised plans expect the savings target to be met in full by 2022/23.
43. Rigorous monitoring of the delivery of the programme will continue during 2021/22, to ensure that the Department is able to stay within its cash limited budget as set out in this report.
44. This early action in developing and implementing the savings programme for 2021/22 means that the County Council is in a strong position for setting a balanced budget in 2021/22 and that no new savings proposals will be considered as part of the budget setting process for the next financial year.

Section I: Budget Summary 2021/22

45. The budget update report presented to Cabinet on 24 November 2020 included provisional cash limit guidelines for each department. The cash limit for Corporate Services in that report was £52.518m, a £1.7m decrease on the previous year. The decrease comprised:
- Tt2021 savings - £4.5m
 - Inflation + £3.9m
 - Transfers to other departments - £0.9m
 - Changes in specific grants - £0.2m
46. Appendix 1 sets out a summary of the proposed budgets for the service activities provided by Corporate Services for 2021/22 and shows that these are within the cash limit set out above.
47. In addition to these cash limited items there are further budgets which fall under the responsibility of Corporate Services, which are shown in the table below:

	2021/22	
	£'000	£'000
Cash Limited Expenditure	96,978	
Less Income (Other than Government Grants)	(44,460)	
Net Cash Limited Expenditure		52,518
Less Government Grants:		
• Local reform and community voice	(579)	
• Vulnerable Persons relocation scheme	(148)	
Total Government Grants		(727)
Total Net Expenditure		51,791

Section J: Conclusion

48. The proposed budget for 2021/22 for Corporate Services, including other non-departmental corporate budgets, as set out in this report, is in accordance with the cash limit guideline set by Cabinet. It incorporates the Tt2021 savings approved by the County Council in November 2019. The only other changes are of a technical nature to take account of inflation and minor budget transfers to reflect changes in responsibility of Directors and Executive Members. Similarly, the changes in the revised budget for 2020/21 reflect technical adjustments and approved draws from reserves.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	Yes / No
People in Hampshire live safe, healthy and independent lives:	Yes / No
People in Hampshire enjoy a rich and diverse environment:	Yes / No
People in Hampshire enjoy being part of strong, inclusive communities:	Yes / No

Other Significant Links

Links to previous Member decisions:	
<u>Title</u>	<u>Date</u>
Transformation to 2021 – Revenue Savings Proposals (Executive Member for Policy and Resources) https://democracy.hants.gov.uk/documents/s38408/2019-09-24%20RPT%20EMPR%20Budget%20Report%20Tt2021%20FINAL.pdf	24 September 2019
Medium Term Financial Strategy Update and Transformation to 2021 Savings Proposals http://democracy.hants.gov.uk/ieIssueDetails.aspx?Ild=22267&PlanId=0&Opt=3#A122852	Cabinet – 15 October 2019 / County Council – 7 November 2019
Medium Term Financial Strategy Update https://democracy.hants.gov.uk/ieListDocuments.aspx?CId=134&MId=6499&Ver=4	Cabinet – 14 July 2020 / County Council – 16 July 2020
Budget Setting and Provisional Cash Limits 2021/22 https://democracy.hants.gov.uk/documents/s60700/Nov%202020%20Financial%20Update%20Budget%20Setting%20-%20Cabinet%20FINAL.pdf	Cabinet – 24 November 2020 / County Council – 3 December 2020
Direct links to specific legislation or Government Directives	
<u>Title</u>	<u>Date</u>

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

The budget setting process for 2021/22 does not contain any proposals for major service changes which may have an equalities impact. Proposals for budget and service changes which are part of the Transformation to 2021 Programme were considered in detail as part of the approval process carried out in October and November 2019 and full details of the Equalities Impact Assessments relating to those changes can be found in Appendices 5 to 8 in the October Cabinet report linked below:

<http://democracy.hants.gov.uk/mgAi.aspx?ID=21194#mgDocuments>

Budget Summary 2020/21 and 2021/22 – Corporate Services

Service Activity	Original Budget 2020/21 £'000	Revised Budget 2020/21 £'000	Proposed Budget 2021/22 £'000
Corporate Resources			
Finance	3,694	4,021	3,958
HR and WFD	2,905	3,563	2,971
IT	24,316	25,235	24,255
Audit	713	780	761
IBC	6,044	5,544	5,276
Corporate Resources Transformation	1,157	1,490	893
Corporate Resources Other	(13)	(689)	(831)
Total Corporate Resources	38,816	39,944	37,283
Transformation and Governance			
Strategic Procurement	1,742	1,800	1,740
Legal Services	3,019	3,189	3,168
Transformation Practice	1,788	2,513	1,822
Governance	3,097	3,189	2,718
Total Transformation and Governance	9,646	10,691	9,448
Customer Engagement Service			
Communication, Marketing & Advertising	648	700	729
Insight & Engagement	746	781	612
Chief Executive's Office & Leadership Support	569	588	596
Total Customer Engagement Service	1,963	2,069	1,937
Total Corporate Services Departments	50,425	52,704	48,668

Service Activity	Original Budget 2020/21 £'000	Revised Budget 2020/21 £'000	Proposed Budget 2021/22 £'000
Corporate Non-Departmental Budgets (Direct) ¹			
Corporate & Democratic Representation	66	66	66
Grants to Voluntary Organisations	237	201	217
Grants & Contributions to Voluntary Bodies	765	765	776
Local Resilience Forum Support	0	922	0
Members Devolved Budgets	390	780	390
Other Miscellaneous	374	432	400
	1,832	3,166	1,849
Corporate Non-Departmental Budgets (Central) ¹			
Members Support Costs	1,621	1,621	1,674
Contribution to Trading Units	0	931	0
Audit Fee	128	128	150
Subscriptions to LGA etc	182	182	175
Other Miscellaneous	30	23	2
	1,961	2,885	2,001
Total Other Corporate Budgets	3,793	6,051	3,850
Total Corporate Services & Other Corporate budgets	54,218	58,755	52,518
Government Grants:			
Local reform and Community Voice	(569)	(579)	(579)
Vulnerable Persons Relocation Scheme	(378)	(378)	(148)
Total Government Grants	(947)	(957)	(727)
Net expenditure Corporate Services	53,271	57,798	51,791

¹ Original Budget restated to reflect changes in Executive Member portfolios